

MUSINA LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

INDEX

CONTACT INFORMATION	
GENERAL INFORMATION	
APPROVAL AND CERTIFICATION	
STATEMENT OF FINANCIAL POSITION	
STATEMENT OF FINANCIAL PERFORMANCE	
CHANGES IN NET ASSETS	
CASH FLOW STATEMENT	
NOTES	
* Note 1	- BASIS OF ACCOUNTING
* Note 2	- BORROWINGS
* Note 3	- FINANCE LEASE LIABILITY
* Note 4	- CONSUMER DEPOSITS
* Note 5	- NON-CURRENT PROVISIONS
* Note 6	- CURRENT PROVISIONS
* Note 7	- TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS
* Note 8	- PROPERTY, PLANT AND EQUIPMENT
* Note 9	- INTANGIBLE ASSETS
* Note 10	- INVESTMENT PROPERTY CARRIED AT FAIR VALUE
* Note 11	- INVESTMENTS
* Note 12	- INVENTORY
* Note 13	- TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS
* Note 14	- OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS
* Note 15	- CASH AND CASH EQUIVALENTS
* Note 16	- PROPERTY RATES
* Note 17	- SERVICE CHARGES
* Note 18	- RENTAL OF FACILITIES AND EQUIPMENT
* Note 19	- GOVERNMENT SUBSIDIES & GRANTS
* Note 20	- OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS
* Note 21	- INTEREST EARNED - EXTERNAL INVESTMENTS
* Note 22	- INTEREST EARNED - OUTSTANDING RECEIVABLES
* Note 23	- EMPLOYEE RELATED COSTS
* Note 24	- REMUNERATION OF COUNCILLORS
* Note 25	- DEPRECIATION AND AMORTISATION EXPENSE
* Note 26	- REPAIRS AND MAINTENANCE
* Note 27	- FINANCE COST
* Note 28	- BULK PURCHASES
* Note 29	- CONTRACTED SERVICES
* Note 30	- GRANT AND SUBSIDIES PAID
* Note 31	- GENERAL EXPENSES
* Note 32	- CORRECTION OF ERROR
* Note 33	- CASH GENERATED FROM/(UTILISED IN) OPERATIONS
* Note 34	- CAPITAL COMMITMENTS
* Note 35	- OPERATING LEASE
* Note 36	- UNSPENT CONDITIONAL GRANTS AND RECEIPTS
* Note 37	- VAT PAYABLE
* Note 38	- VAT RECEIVABLE
* Note 39	- TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)
* Note 40	- ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003
* Note 41	- CONTINGENT LIABILITIES
* Note 42	- IN-KIND DONATIONS AND ASSISTANCE
* Note 43	- RELATED PARTY DISCLOSURES
* Note 44	- INCOME FOREGONE
* Note 45	- ELECTRICITY PRE-PAID POWER CARDS
* Note 46	- UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

INDEX

* Note 47	-	RETIREMENT BENEFIT INFORMATION
* Note 48	-	RISK MANAGEMENT
* Note 49	-	COMPARISON WITH THE BUDGET
* Note 50	-	POST- RETIREMENT MEDICAL AID BENEFITS
* Note 51	-	EVENTS AFTER THE REPORTING DATE
* Note 52	-	KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS
* Note 53	-	LONG SERVICE AWARDS
* APPENDIX A	-	SCHEDULE OF EXTERNAL LOANS
* APPENDIX B	-	ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
* APPENDIX C	-	SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
* APPENDIX D	-	ACTUAL OPERATING REVENUE AND EXPENDITURE VERSUS BUDGET
* APPENDIX E	-	STATEMENT OF COMPARITIVE AND ACTUAL INFORMATION
* APPENDIX F	-	ACTUAL CAPITAL VERSUS BUDGET

Page

1
2
3
4
5 - 18
19
19
19
20
20
20
21 - 22
23
23
24
24
25 - 28
29
29
30
30
30
31
32
32
32
33
34
34
34
34
35
35
35
36
37
37
38
38
38
38
38
38
39 - 40
41
41
41
42
42
42

Page
42
43
43
43
43
43
44
45
46
47
48
49
50

Annual Financial Statements

for

Musina Local Municipality

for the year ended 30 June: **2012**

Province:

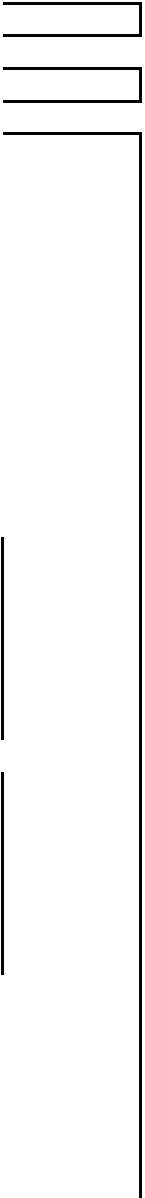
Limpopo

AFS rounding:

R'000 (i.e. to the nearest R100,000)

Contact Information:

Name of Acting Municipal Manager:	S S Razwidani
Name of Acting Chief Financial Officer:	T B Muluvhu
Contact telephone number:	0155346187
Contact e-mail address:	msnaexp@limpopo.co.za
Name of contact at provincial treasury:	M L Murulana
Contact telephone number:	0152918446
Contact e-mail address:	MurulanaML@treasury.limpopo.gov.za
Name of relevant Auditor:	G Odendaal
Contact telephone number:	0152839341
Contact e-mail address:	godendaal@agsa.co.za
Name of contact at National Treasury:	Thomas Matjeni
Contact telephone number:	thomas.matjeni@treasury.gov.za
Contact e-mail address:	012 315 5792



Musina Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

Appointment Date

C M Phiri	Mayor	19/05/2011
C M Phiri	Speaker	19/05/2011
S F L Ndlovu	Member of the Executive Committee	19/05/2011
J Banda	Member	19/05/2011
M E Ramayada	Member	19/05/2011
E S Shirilele	Member	19/05/2011
M F Mafela	Member	19/05/2011
S M Phiri	Member	19/05/2011
L B Ndou	Member	19/05/2011
G N Milanzi	Member	19/05/2011
S J Kaunda	Member	19/05/2011
P S Tlou	Member	19/05/2011

Acting Municipal Manager

S S Razwidani

Acting Chief Financial Officer

T B Muluvhu

Grading of Local Authority

03

Auditors

Auditor-General

Bankers

ABSA

Musina Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information (continued)

Registered Office: Musina Municipality

Physical address:

Civic Centre
21 Irwin Street
Musina
0900

Postal address:

Private bag X611
Musina
0900

Telephone number: 0155346100

Fax number: 0155342513

E-mail address: msnaexp@limpopo.co.za

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 and 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**_____
ACTING MUNICIPAL MANAGER
S S RAZWIDANI**

DATE

Musina Local Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2 012	2 011
ASSETS			
Current assets			
Cash and cash equivalents	15	1 777 238	6 107 151
Trade and other receivables from exchange transactions	13	8 687 772	7 866 689
Other receivables from non-exchange transactions	14	18 422 124	9 384 979
Inventories	12	85 057 056	84 850 060
Investments	11	6 396 945	3 878 745
VAT receivable	38	210 749	-
Non-current assets			
Property, plant and equipment	8	295 736 788	304 369 784
Intangible assets	9	51 933	86 681
Investment property carried at fair value	10	35 241 000	35 241 000
Total assets		451 581 604	451 785 089
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7	40 845 197	48 164 243
Consumer deposits	4	4 446 606	3 263 661
VAT payable	37	-	1 353 084
Taxes and transfers payable (non-exchange)	39	16 483 541	9 631 666
Current provisions	6	7 846 254	4 881 205
Current portion of unspent conditional grants and receipts	36	113 827	3 632 059
Current portion of borrowings	2	1 348 428	1 232 295
Current portion of finance lease liability	3	524 149	471 093
Non-current liabilities			
Non-current borrowings	2	16 677 041	12 907 002
Non-current finance lease liability	3	707 102	618 876
Non-current provisions	5	2 338 162	2 087 994
Defined benefit plan obligations	46	5 294 162	3 243 192
Total liabilities		96 624 470	91 486 371
Net assets		354 957 134	360 298 718
NET ASSETS			
Accumulated surplus / (deficit)		354 957 132	360 298 719
Total net assets		354 957 132	360 298 719

STATEMENT OF FINANCIAL PERFORMANCEfor the year ended
30 June 2012

		Actual 2012	Actual 2011
REVENUE			
	Note		
Property rates	16	10 945 902	10 452 708
Service charges:	17	77 158 091	60 670 785
Rental of facilities and equipment	18	206 071	995 265
Fines		2 201 900	1 434 843
Licenses and permits		2 923 496	2 361 496
Government grants and subsidies received - operating	19	28 529 000	27 795 257
Government grants and subsidies received - capital	19	19 075 464	11 473 601
Other income	20	9 034 705	14 208 326
Gain on Non exchange transactions		-	158 500
Investment Revenue – external investments	21	545 518	169 602
Interest earned – outstanding debtors	22	1 564 984	1 447 505
TOTAL REVENUE		152 185 131	131 167 888
EXPENDITURE			
Employee related costs	23	42 248 843	32 640 844
Remuneration of councillors	24	3 396 313	2 975 719
Bad debts		976 392	3 646 241
Collection costs		52 339	16 527
Depreciation and amortisation expense	25	18 591 235	21 602 578
Repairs and maintenance	26	22 792 621	4 422 977
Finance cost	27	2 065 001	1 606 744
Bulk purchases Electricity	28	37 490 020	30 105 151
Contracted services	29	4 106 102	2 290 430
Grants & Subsidies paid	30	4 409 231	5 584 866
General expenses	31	27 118 980	25 540 919
Disposal of property, plant and equipment		-	1 932
TOTAL EXPENDITURE		163 247 077	130 434 929
Surplus/(deficit) for the year		(11 061 946)	732 959
NET SURPLUS/(DEFICIT) FOR THE YEAR		(11 061 946)	732 959

STATEMENT OF CHANGES IN NET ASSETS for the year ended 30 June 2012			
	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
2011			
	63 859 283	86 190 544	150 049 829
Net surplus for the year	-	732 959	732 959
Revualiation Reserve	(508 630)		(508 630)
Corrections prior year		207 437 170	207 437 170
Zelpy transfer		2 587 387	2 587 387
Balance at 30 June 2011	63 350 653	296 948 060	360 298 719
2012			
Net surplus for the year		(11 061 946)	(11 061 946)
Revualiation Reserve	(63 350 653)	63 350 653	-
Corrections prior year		9 238 598	9 238 598
Balance at 30 June 2012	-	358 475 365	358 475 371

CASH FLOW STATEMENT
for the year ended
30 JUNE 2012

Note	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from ratepayers, government and others	149 140 828	128 448 340
Cash paid to suppliers and employees	(137 088 510)	(102 992 678)
Cash generated from / (utilized in) operations	12 052 318	25 455 662
Interest received	2 110 502	1 617 107
Interest paid	(2 065 001)	(1 606 744)
Net cash from operating activities	12 097 818	25 466 025
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(9 089 040)	(16 184 299)
Net cash from investment activities	(9 089 040)	(16 184 299)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in long term loans/lease	(4 027 454)	(4 266 288)
(Increase)/decrease in inventories	206 996	(14 262)
Net cash from financing activities	(3 820 458)	(4 280 550)
Increase/(decrease) in cash and cash equivalents	(811 680)	5 001 175
Cash and cash equivalents at beginning of the year	6 107 151	1 105 974
Cash and cash equivalents at end of the year	1 777 238	6 107 151

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012**

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

Impact on the municipality's financial statements once implemented:

It is unlikely that the standards will have a material impact on the municipality's annual financial statements

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL LAND

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated at historical cost, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	
Infrastructure Assets	<u>Years</u>
Roads, pavement, double seals, road signs and Roadmarkings	40-15
Street names, signs and parking meters	5
Car parks, bus terminals and taxi ranks	20
Electricity - Mass lights	15
Electricity - Transformers	15
Electricity - Street lights	15
Housing	30
Street lighting	25
Refuse sites	30
Community Assets	
Parks and gardens	30
Sport fields	30
Community halls	30
Libraries	30
Recreation facilities	30
Clinics	30
Fire services	30
Cemeteries	30
Other Assets	
Motor vehicles	5
Plant and equipment	5
Security measures	3
Buildings	30
IT equipment	3
Office equipment	5

Land is not depreciated as it is regarded as having an infinite life.

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods gets adjusted. During the items property, plant and equipment useful life was assessed and increased by additional three(3) years.

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012**

Impairment

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified, except where the impairment reverses a previous revaluation.

Where the carrying amount of an item of property, plant and equipment is larger than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The testing for and impairing of any items of property, plant and equipment were accounted during the current year as the municipality must comply with GRAP 17 fully

Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

During the current year, the municipality has unbundled the infrastructure assets as required by GRAP 17

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

After initial recognition, an intangible asset is carried at its cost less any accumulated impairment losses and amortisation. Amortisation is charged on a straight-line basis over their useful life which is estimated to be between 3 and 5 years. The useful life of an intangible asset is the period over which that asset is expected to be available for use of by the municipality. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, but are tested for impairment annually and impaired if necessary.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation methods are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are recognised at cost. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire the asset at the time of its acquisition or construction. Only cost incurred on computer software and websites that meet the definition of an intangible asset are recognised as permitted in terms of Directive 4. All other cost incurred on intangible assets during the exemption period has been expensed.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

3-5

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property held to earn income, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

The process for identifying investment property had not been finalised and items that may meet the definition was accounted for in terms of GAMAP 17 under property, plant and equipment .

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 INVENTORIES

1.5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012**

6.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012**

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on 3 month average usage

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- There has been compliance with the relevant legal requirements.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2012

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest revenue is recognised on a time proportion basis

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12.3 GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Other grants and donations received

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the conditions were not met, a liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund
- National fund for Municipal workers

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

a) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

15 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

2 BORROWINGS	2012	2011
Annuity loans (DBSA)	18 025 469	14 139 297
Lease Liability (BANKFIN))	-	-
Sub-Total	18 025 469	14 139 297
Less: Current portion transferred to current liabilities [DBSA]	(1 348 428)	(1 232 295)
Total External Loans	16 677 041	12 907 002
Refer to Appendix A for more detail on long term liabilities.		

3 FINANCE LEASE LIABILITY			
2012	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases			
Within one year	611 035	(86 886)	524 149
Within two to five years	796 722	(89 619)	707 103
	1 407 757	(176 505)	1 231 252
Less: Amount due for settlement within 12 months (current portion)			(524 150)
			707 102
The average lease term is 5 years and the average effective borrowing rate is 8.50%. Interest rates are fixed at the contract date. Leases have fixed repayment terms per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.			
2011	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases			
Within one year	546 742	(75 649)	471 093
Within two to five years	653 636	(34 760)	618 876
	1 200 378	(110 409)	1 089 969
Less: Amount due for settlement within 12 months (current portion)		-	(471 093)
			618 876
The average lease term is 5 years and the average effective borrowing rate is 8.50%. Interest rates are fixed at the contract date. Leases have fixed repayment terms per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.			
Refer to Appendix A for more detail on long term liabilities.			

4 CONSUMER DEPOSITS	2012	2011
Opening Balance	3 263 661	2 799 762
Electricity	1 126 498	408 539
Other	56 447	55 360
Total consumer deposits	4 446 606	3 263 661
Guarantees held in lieu of electricity deposits	608 424	1 336 621

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

5 NON-CURRENT PROVISIONS	2012	2011
The movement in the non-current provision is reconciled as follows: -		
Provision for rehabilitation of landfill sites:		
Balance at the beginning of year	(2 087 994)	(1 668 103)
Contributions to provision	(250 169)	(419 891)
Balance at the end of year	<u>(2 338 162)</u>	<u>(2 087 994)</u>
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 11.5% Over an average period of 8 years		
6 CURRENT PROVISIONS	2012	2011
Provision for bonus	1 059 810	-
Current portion of long-service provision	2 306 808	1 413 647
Provision for leave	4 479 637	3 467 558
Total Provisions	<u>7 846 254</u>	<u>4 881 205</u>
Refer to note 53 for more details about provision for long service award.		
The movement in current provisions are reconciled as follows: -	Provision for leave	Provision for long service award
as at 1 July 2011	3 467 558	1 413 647
Contributions to provision	1 012 079	893 161
Expenditure incurred	-	-
as at 30 June 2012	<u>4 479 637</u>	<u>2 306 808</u>
as at 1 July 2010	4 255 361	179 508
Contributions to provision	(787 803)	1 234 139
Expenditure incurred	-	-
as at 30 June 2011	<u>3 467 558</u>	<u>1 413 647</u>
7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2012	2011
Trade payables	816 746	943 304
Amounts received in advance : Consumer Debtors	1 189 244	1 162 537
Creditors provision	19 099 070	24 506 551
Other payables	483 062	473 443
Bank credit facility	93 125	
Vhembe billing	11 719 542	12 722 187
Retentions	602 138	1 014 540
Solly Noor	4 360 702	4 860 112
Fencing Cemetery	2 481 568	2 481 568
Sub Total		
Total trade and other payables from exchange transaction	<u>40 845 197</u>	<u>48 164 243</u>
The fair value of trade and other payables approximates their carrying amounts		

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2011	40 352 300	29 182 542	213 531 894	15 295 624	6 007 424	-	304 369 784
Cost	40 352 300	35 110 265	244 222 342	15 492 847	19 923 971	-	355 101 725
Accumulated depreciation and impairment losses	-	(5 927 723)	(30 690 447)	(197 224)	(13 916 547)	-	(50 731 940)
Acquisitions	-	2 305 697	-	5 662 357	1 120 987	-	9 089 040
Depreciation	-	(865 566)	(15 223 866)	(357 575)	(2 109 480)	-	(18 556 487)
Carrying value of disposals	-	-	-	-	834 451	-	834 451
Disposal accumulated depreciation	-	-	-	-	6 837 411	-	6 837 411
Disposal cost	-	-	-	-	(6 002 960)	-	(6 002 960)
as at 30 June 2012	40 352 300	30 622 673	198 308 028	20 600 405	5 853 382	-	295 736 788
Cost	40 352 300	37 415 962	244 222 342	21 155 204	15 041 997	-	358 187 805
Accumulated depreciation and impairment losses	-	(6 793 289)	(45 914 313)	(554 798)	(9 188 616)	-	(62 451 016)

Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 01 July 2010	40 217 430	29 792 147	228 523 833	6 116 692	6 207 958	791 315	311 649 375
Cost	40 217 430	35 116 490	28 533 720	7 628 745	13 399 097	2 877 278	127 772 760
Correction of error (note 32)	-	(307 453)	213 024 474	(1 123 005)	1 054 783	-	212 648 799
Accumulated depreciation and impairment losses	-	(5 016 890)	(13 034 361)	(389 048)	(8 245 922)	(2 085 963)	(28 772 184)
Acquisitions	158 500	301 228	2 734 325	3 051 342	2 228 768	-	8 474 162
Capital under Construction	-	-	-	5 935 765	-	-	5 935 765
Depreciation	-	(1 394 074)	(1 546 739)	-	(3 886 308)	(275 342)	(7 102 463)
Correction of error (note 32)	-	483 241	(16 109 208)	191 824	968 776	-	(14 465 367)
Carrying value of disposals	-	-	-	-	-	(391 788)	(415 418)
Cost	(23 630)	-	-	-	-	(1 408 381)	(1 432 011)
Accumulated depreciation and impairment losses	-	-	-	-	-	1 016 593	1 016 593
Transfers	-	-	-	-	364 045	-	364 045
as at 30 June 2011	40 352 300	29 182 542	213 531 894	15 295 624	6 007 424	-	304 369 784
Cost	40 352 300	35 110 265	244 222 342	15 492 847	19 923 971	-	355 101 725
Accumulated depreciation and impairment losses	-	(5 927 723)	(30 690 447)	(197 224)	(13 916 547)	-	(50 731 940)

Refer to Appendix B for more detail on property, plant and equipment

The Municipality itemized all infrastructure and community assets and recalculate accumulated depreciation. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. An assessment of impairments was done by 30 June 2011. The unbundling was performed during the current year by the professional engineer of Nemurango consulting engineers

8.2 Assessment of Useful lives and R1 Value

GRAP 17 Paragraph 61 state that the residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reassessment

Vehicles	4 324 542
Plant & equipment	2 368 298
Office equipment	2 928 199
Bins and Containers	1 463 220
Furniture and Fittings	1 771 132
Truvello Radar	2 342
	12 857 733

R1 Valued Items

Vehicles	849 312
Plant & equipment	4 242
Office equipment	148 230
Bins and Containers	-
Furniture and Fittings	53 000
Truvello Radar	-
Total Cost	1 054 784
Net impact to the Accumulated surplus	1 054 784

Musina Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

9 INTANGIBLE ASSETS

9.1 Reconciliation of carrying value

Computer Software

Total

as at 1 July 2011

86 681

86 681

Cost

157 561

157 561

Accumulated amortisation and impairment losses

(70 880)

(70 880)

Amortisation

(34 748)

(34 748)

as at 30 June 2012

51 933

51 933

Cost

157 561

157 561

Accumulated amortisation and impairment losses

(105 628)

(105 628)

10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

10.1 Reconciliation of carrying value

as at 1 July 2011

35 241 000

35 241 000

Cost

35 241 000

35 241 000

as at 30 June 2012

35 241 000

35 241 000

Cost

35 241 000

35 241 000

Investment property carried at fair value

The effective date of the revaluations was 01 July 2007 with annual interim valuations. Revaluations were performed by an independent valuer, Mr Thinus Nel from DDP Valuers. Mr Nel is not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

11 INVESTMENTS	2012	2011
		R
Opening Balance	3 878 745	1 507 829
ABSA Bank Movement	2 518 200	2 370 917
Shares		
Opening Balance	-	503 816
De-registered 30/06/2011		(503 816)
Total Investments	6 396 945	3 878 745
A repayment of asset amounting to R6 396 945 has been pledged with ABSA Bank as security for Eskom guarantee.		

	2012	2011
		R
12 INVENTORY	85 057 056	84 850 060
12.1 INVENTORY CONSUMABLE		
Opening balance of inventories:	3 903 524	1 601 226
Additions:		
Consumable stores	737 099	174 745
Maintenance materials	941 134	1 325 368
Other	742 625	802 185
Total Additions	6 324 381	3 903 524
Issued (expensed):		
Consumable stores	(779 433)	(173 228)
Maintenance materials	(3 460 770)	(1 171 401)
Transfer Water [Vhembe]		(68 079)
Other	(560 941)	(1 174 577)
Total Issued (Expensed)	(4 801 145)	(2 587 284)
Sub Total:	1 523 236	1 316 240
12.2 INVENTORY MUNICIPAL PROPERTY		
Opening balance of inventories:		
Unsold Municipal land	83 533 820	80 113 120
		3 420 700
Sub Total	83 533 820	83 533 820

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

TRADE AND OTHER RECEIVABLES FROM EXCHANGE

13 TRANSACTIONS

Trade receivables

Gross Balance	Provision for Bad Debt	Net Balance
---------------	------------------------	-------------

30 June 2012

Service debtors:

Property rates

Electricity

Refuse

Other

Bad debts written off

Total

18 130 354	9 303 995	8 826 359
9 200 897	4 721 645	4 479 252
2 636 614	1 353 037	1 283 577
4 000 850	2 053 125	1 947 725
2 291 993	1 176 187	1 115 806
(138 587)		-
17 991 767	9 303 995	8 687 772

Contribution to bad debt provision

Debt written off for the year

Property rates

Electricity

Refuse

Other

138 587

18 342

22 104

62 976

35 165

Gross Balance	Provision for Bad Debt	Net Balance
---------------	------------------------	-------------

30 June 2011

Service debtors:

Property rates

Electricity

Refuse

Other

Total

16 318 082	8 451 392	7 866 689
8 109 096	3 533 659	4 575 437
1 995 106	1 067 138	927 968
3 866 311	3 242 305	624 006
2 347 569	608 290	1 739 279
16 318 082	8 451 392	7 866 689

Contribution to bad debt provision

Debt written off for the year

Property rates

Electricity

Refuse

Other

246 266

20 898

778

96 131

128 459

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

	2012	2011
Property Rates - Ageing		
Current	92 755	423 586
30 days	405 720	322 380
31–60 days	335 600	295 812
61–90 days	293 119	345 113
91–120 days	273 848	222 934
121–150+ days	7 799 856	6 499 271
Sub-total	9 200 897	8 109 096
Electricity - Ageing		
Current	137 524	555 711
30 days	560 419	239 088
31–60 days	405 356	133 169
61–90 days	176 104	99 095
91–120 days	147 563	90 348
121–150+ days	1 209 648	877 696
Sub-total	2 636 614	1 995 106
Refuse		
Current	18 318	222 180
30 days	188 404	139 075
31–60 days	154 271	126 922
61–90 days	135 503	127 110
91–120 days	125 017	99 757
121–150+ days	3 379 338	3 151 267
Sub-total	4 000 850	3 866 311
Property Rental		
Current	18 335	9 802
30 days	5 033	4 414
31–60 days	7 484	5 054
61–90 days	6 010	5 162
91–120 days	5 568	7 334
121–150+ days	134 280	99 249
Sub-total	176 710	131 016
Loans		
Current	88	244
30 days	144	69
31–60 days	144	156
61–90 days	144	238
91–120 days	144	62
121–150+ days	168 237	173 878
Sub-total	168 901	174 647
Legal Fees		
121–150+ days	-	44 234
Sub-total	-	44 234

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012**

	2012	2011
Sundry Debtors		
Current	191 897	1 322
30 days	1 696	1 128
31–60 days	20	1 174
61–90 days	29 054	1 304
91–120 days	133	1 052
121–150+ days	689 662	103 069
Sub-total	912 462	109 049
Other		
Current	5 995	1 342 161
30 days	10 197	41 543
31–60 days	186 876	(5 704)
61–90 days	5 157	(30 813)
91–120 days	5 483	(15 129)
121–150 days	820 213	802 831
Sub-total	1 033 920	2 134 889
Total consumer debtors	18 130 354	16 564 348
Bad debts written off	(138 587)	(246 266)
	17 991 767	16 318 082
Made up as follows:		
Current	464 911	2 555 006
30 days	1 171 612	747 697
31–60 days	1 089 751	556 584
61–90 days	645 091	547 208
91–120 days	557 756	406 358
121–150 days	14 201 233	11 751 495
Total	18 130 354	16 564 348
Bad debts written off	(138 587)	(246 266)
	17 991 767	16 318 082

DEBTORS BY CONSUMER CLASSIFICATION

	2012	2011
Sundry Debtors	224 139	523 461
Agricultural	6 667 421	2 991 380
Business	2 009 362	2 008 345
Educational	315 599	180 450
Industrial	717 785	438 477
Mine	12 442	-
Residential	7 408 721	9 368 372
Residential 4	58 534	123 339
Churches	196 594	301 521
Special	29 225	33 611
State Property	351 944	349 127
Total	17 991 767	16 318 081

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

Reconciliation of the doubtful debt provision**2012****2011**

Balance at beginning of the year
 Contributions to provision
 Doubtful debts written off against provision
 Correction of provision

8 451 392
 976 392
 (138 587)
 14 798

5 057 109
 3 646 241
 (246 266)
 (5 692)

Balance at end of year

9 303 995

8 451 392

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

	2012	2011
14 OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS		
Sundry debtors	64 940	64 940
Vhembe District Indigent	2 238 534	2 238 534
RD Cheques	13 500	30 094
Vhembe District	10 033 140	3 044 137
Unmetered consumptions	933 802	943 942
Cutt off revenue billing elec	4 007 722	3 012 962
Sunlyn Rentals	-	33 074
Other	1 130 486	17 296
Total Other Debtors	18 422 124	9 384 979

15 CASH AND CASH EQUIVALENTS	2012	2011
Cash and cash equivalents consist of the following:		
Cash at bank	1 777 238	6 107 151
	1 777 238	6 107 151
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
Absa Bank Limited - Musina Branch: Account Number 2050 550 179		
Cash book balance at beginning of year	6 102 801	1 103 688
Cash book balance at end of year	1 772 793	6 102 801
Bank statement balance at beginning of year	6 125 687	1 103 688
Bank statement balance at end of year	1 776 830	6 125 687
<u>Current Account (Other Account)</u>		
Absa Bank Limited - Musina Branch: Account Number 4074881456		
Cash book balance at beginning of year	4 349	6 562
Cash book balance at end of year	4 446	4 350
Bank statement balance at beginning of year	4 349	6 562
Bank statement balance at end of year	4 446	4 349

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

16 PROPERTY RATES

REVENUE	2011/2012	2010/2011
Residential	4 574 450	4 360 613
Agricultural	3 037 685	944 006
Commercial	2 894 040	4 756 037
Industrial	439 727	392 053
TOTAL REVENUE	10 945 902	10 452 708
VALUATIONS		
Residential	706 516 700	703 344 700
Business	245 772 800	245 798 450
Right of way	1 089 740	1 089 740
Industrial	57 710 000	57 710 000
Government	103 603 000	103 603 000
Public Open Spaces	1 000 000	1 000 000
Educational	22 130 000	22 130 000
Municipal	99 076 600	99 201 600
Churches	17 917 000	17 877 000
Institutional	385 000	385 000
Special	1 420 000	1 420 000
Agricultural	1 231 929 000	1 205 401 000
TOTAL VALUATION	2 488 549 840	2 458 960 490

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2007. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.009666 is applied to property valuations to determine assessment rates. Rates are levied on an annual basis on state and De Beers property owners, or rates are levied monthly. Interest at prime + 1% per annum are levied on outstanding rates. Permission was granted to the municipality to extend the valuation roll with one year until 30 June 2012

17 SERVICE CHARGES

	2012	2011
Sale of electricity	69 669 162	53 696 906
Unmetered Consumptions	933 802	943 942
Refuse removal	6 555 128	6 029 938
Total service charges	77 158 091	60 670 785

18 RENTAL OF FACILITIES AND EQUIPMENT

	2012	2011
Rental of facilities	206 071	995 265
Total rentals	206 071	995 265

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2012		
	2012	2011
19 GOVERNMENT SUBSIDIES & GRANTS		
GOVERNMENT SUBSIDIES & GRANTS - OPERATING	<u>28 529 000</u>	<u>27 795 257</u>
Equitable share	26 489 000	24 045 257
Finance management grant (FMG)	1 250 000	3 000 000
Municipal systems improvement grant (MSIG)	790 000	750 000
<i>Equitable Share</i>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy R26 489 000 which is funded from the grant.		
GOVERNMENT SUBSIDIES & GRANTS - CAPITAL	<u>15 557 232</u>	<u>11 473 601</u>
Municipal infrastructural grant (MIG)	15 557 232	11 473 601
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
19.1 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Municipal infrastructural grant (MIG)		
Balance unspent at beginning of year	3 632 059	5 054 087
Current year receipts	12 039 000	7 130 000
Conditions met – transferred to revenue	(15 557 232)	(8 552 028)
Total	<u>113 827</u>	<u>3 632 059</u>
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2012		
	2012	2011
20 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
Library/Cemetery	91 913	94 239
Sale of erven	8 484 366	13 580 114
Tenders	47 500	22 772
Commission Old Mutual	5 549	3 505
Donations / Others	255 941	295 064
Clearance Certificates	31 732	33 795
Building Plans	117 703	178 836
Total Other Income	9 034 705	14 208 326
21 INTEREST EARNED - EXTERNAL INVESTMENTS	2012	2011
Bank (current account)	94 292	50 086.56
External investments [Bank guarantee]	268 199	119 515.42
Other accounts	183 026	-
Total	545 518	169 602
22 INTEREST EARNED - OUTSTANDING RECEIVABLES	2012	2011
Debtors	1 564 984	1 447 505
Total	1 564 984	1 447 505

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

23 EMPLOYEE RELATED COSTS	2012	2011
Salaries and wages	33 883 235	27 474 714
Provision Annual Bonuses	1 059 810	-
Total	34 943 044	27 474 714
Pension deductions	4 376 889	3 657 766
Medical aid funds	1 326 435	893 674
Group insurance	210 974	160 167
Housing subsidy	93 158	87 129
Unemployment Insurance Fund	252 986	202 529
Long service award	1 045 357	164 865
Total Social contributions:	7 305 799	5 166 130
Total employee related cost	42 248 843	32 640 844
<u>Remuneration of Managers</u>		
<u>Municipal Manager</u>	352 911	1 039 648
Annual remuneration	-	809 084
Allowances	352 911	96 000
Leave Payment	-	134 564
The amount disclosed during current year is the acting allowance not contractual package		
<u>Chief Financial Officer</u>	405 925	974 703
Annual remuneration	-	620 333
Allowances	405 925	54 000
Leave Payment	-	300 370
The amount disclosed during current year is the acting allowance not contractual package		
<u>Manager Corporate Services</u>	343 906	552 420
Annual remuneration	-	462 420
Allowances	343 906	90 000
The amount disclosed during current year is the acting allowance not contractual package		
<u>Manager Community Services</u>	596 984	552 420
Annual remuneration	499 484	462 420
Allowances	97 500	90 000
<u>Manager Technical Services</u>	596 984	552 420
Annual remuneration	544 984	504 420
Allowances	52 000	48 000
Total	2 296 710	3 671 611

During the year no performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act
Disclosure in terms of the MFMA, 2003, Section 124(1)(c).

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2012		
24 REMUNERATION OF COUNCILLORS	2012	2011
Mayor	630 737	589 556
Chief Whip	477 762	447 551
Councillors	1 375 680	1 172 283
Pension fund	315 892	271 649
Travelling allowances	458 107	390 763
Cellphone allowances	118 297	100 118
UIF	19 839	3 800
Total councillor's remuneration	3 396 313	2 975 719
<p>The Mayor and Chief Whip are full time. Each is provided with an office and secretarial support at the cost of Council. The Mayor has use of a Council owned vehicle and driver for official duties. Disclosure in terms of the MFMA, 2003, Section 124(1)(a)</p>		
25 DEPRECIATION AND AMORTISATION EXPENSE	2012	2011
Property, plant and equipment	18 556 487	21 567 830
Intangible assets	34 748	34 748
Total Depreciation and Amortisation	18 591 235	21 602 578
Refer to Nota 8 for more detail on depreciation		
26 REPAIRS AND MAINTENANCE		
Repairs and maintenance	7 742 304	4 422 977
Repairs and maintenance (Musina roads repairs)	15 050 317	
Total	22 792 621	4 422 977
<p>During the year T & C have been appointed to repair existing Musina roads for the cost of R 15 713 300. The project was initially budget as capital project. The cost incurred is now treated as expense because it does not meet the criteria of capitalisation.</p>		
27 FINANCE COST	2012	2011
Lease liability	-	56 026
External loan cost	2 065 001	1 550 718
Total	2 065 001	1 606 744

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2012		
28 BULK PURCHASES	2012	2011
Electricity	37 490 020	30 105 151
Total	37 490 020	30 105 151
29 CONTRACTED SERVICES	2012	2011
Contracted services for: <i>Security</i>	4 106 102	2 290 430
Total	4 106 102	2 290 430
30 GRANT AND SUBSIDIES PAID	2012	2011
Finance management grant (FMG)	1 250 000	3 000 000
Municipal systems improvement grant (MSIG)	790 000	750 000
Equitable share [Indigent]	2 369 231	1 834 866
Total	4 409 231	5 584 866
Disclosure in terms of the MFMA, 2003, Section 123(l)(b).		

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

31 GENERAL EXPENSES	2012	2011
Advertising	104 985	38 790
Internal Auditors	822 604	401 025
External Auditors	1 867 253	1 413 892
Bank Admin Fee	395 429	226 465
Community Liason	396 227	209 373
Computer Hardware	27 738	-
Conference & Convention	230 743	49 585
Consultance & Professional	473 282	1 966 802
Consumable Domestic items	253 212	208 832
Entertainment	697 020	222 089
Fuel	708 645	702 462
Funerals	-	13 703
Mayoral excellence award	156 476	183 944
IDP	66 230	-
Insurance	584 898	325 020
Interest Late Payment	52 253	310 030
Internal Study	34 641	-
LED	-	2 780
Legal Fees	270 759	40 311
Licences	198 488	304 682
Medical examination	52 519	17 081
Membership fees	442 234	448 132
Paupers Burials	55 881	17 491
Postage	204 175	153 773
Pest Control	2 965	219
Printing & Stationary	736 034	528 560
Production Drivers Cards	-	117 516
Provision for environmental	250 169	419 891
Protective Clothing	200 065	249 407
Rentals	137 699	154 533
Seta	364 332	338 907
Subsistence & Travel	2 506 269	2 706 213
Telephone	2 124 906	2 119 003
Training	889 176	481 850
Transaction Fees	562 087	360 766
Township Establishment	5 751 936	7 844 980
Valuation Roll	2 160 632	52 998
Youth Assistance	7 000	-
Zelpy	-	1 868 373
loss on investment Zelpy	-	503 816
Medical benefit & leave	3 330 019	537 628
TOTAL GENERAL EXPENDITURE	27 118 980	25 540 919

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

32 CORRECTION OF ERROR**2012****2011**

During the year end municipality did unbundling, assessment of useful life and fair value of PPE

The comparative amount has been restated as follows:

Depreciation

Unbundling Infrastructure	16 109 208
Community	(675 065)
Other	(968 776)

Net effect on surplus/(deficit) for the year	14 465 367
--	-------------------

Accumulated depreciation - Infrastructure	(16 109 208)
Accumulated depreciation - Community assets	675 065
Accumulated depreciation - Other assets	968 776

Infrastructure	213 024 472
Community	(1 430 458)
Other	1 054 783

Net effect on Statement of Financial Position	198 183 430
---	--------------------

Net effect on Accumulated surplus opening balance	212 648 797
---	--------------------

33 CASH GENERATED FROM/(UTILISED IN) OPERATIONS**2012****2011****Net surplus for the year**

Depreciation charges	18 591 235	24 890 260
Gain on disposal of property, plant & equipment	-	(158 500)
Contributions to provisions	4 275 771	165 865
Contributions to bad debt	976 392	3 646 241
Interest received	(545 518)	(169 602)
Interest paid	2 065 001	1 606 744
interest outstanding debtors	(1 564 984)	(1 447 505)
loss on disposal of property plant	-	1 932
Electricity Unmetered Consumptions	(933 802)	(943 942)
Environmental	250 169	419 891

Operating surplus before working capital changes**12 052 318****25 456 661**

(Increase)/decrease in inventories	206 996	14 318
(Increase)/decrease in debtors	821 082	437 764
(Increase)/decrease in other debtors	(5 635 947)	(2 284 766)
Increase/(decrease) in creditors	2 309 663	6 641 271
Increase/(decrease) in deposits	(1 182 945)	-
Increase/(decrease) in provisions	(2 252 821)	-
Increase/(decrease) in long term loans	3 858 265	(1 548 600)
Increase/ (decrease) in shortterm portion of long term loan	169 189	2 717 688
Increase/(decrease) in Unspent conditional Grants and Receipts	3 518 232	(2 843 601)
Increase/(decrease) in investments	2 518 200	1 867 101
Increase/(decrease) in Cash and cash equivalents	(4 329 912)	(5 001 175)

Cash generated by operations**12 052 320****25 456 661**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

34 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:
Approved and contracted for

Infrastructure
Community assets
Other assets

Commitments in respect of expenditure:

Open Edge
Contractors
Security
Rentals
Audit fees internal

Total

This expenditure will be financed from

Own Revenue
Government grants

Total

2012

277 151

277 151

3 320 900

-
-
3 000 000
320 900
-

3 598 051

3 320 900
277 151

3 598 051

2011

2 006 505

2 006 505

19 093 140

1 704 337
9 058 043
3 411 051
4 389 188
530 521

21 099 645

19 093 140
2 006 505

21 099 645

35 OPERATING LEASE

Withing one year
In the second to fifth year inclusive
After five years

Total

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals increase by 10% on an average of three years. No contingent rent is payable.

2012

243 682
268 050
-

511 731

2011

36 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grant from other sphere of government

Municipal infrastructural grant (MIG)

Total

2012

113 827

113 827

2011

3 632 059

3 632 059

37 VAT PAYABLE

Vat payable

VAT is payable on the receipt basis. VAT is paid over to SARS only once payment is received from debtors

2012

-

-

2011

1 353 084

1 353 084

38 VAT RECEIVABLE

Vat receivable

VAT is payable on the receipt basis. VAT is paid over to SARS only once payment is received from debtors

2012

210 749

210 749

2011

-

-

39 TAXES AND TRANSFERS PAYABLE (NON-EXCHANGE)

Department of Transport

Total

2012

16 483 541

16 483 541

2011

9 631 666

9 631 666

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

40 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

40.1 Contribution to SALGA	2012	2011
Opening balance	434 544	
Amount paid - current	318 372	434 544
Amount paid - previous years	(211 560)	
Balance unpaid (included in payables)	752 916	434 544
40.2 Audit fees (Internal & External)	2012	2011
Opening balance	2 453 197	3 501 052
Current year audit fee	3 714 805	1 515 879
Amount paid - current year	(2 054 673)	(2 563 734)
Amount paid - previous years	(2 516 448)	
Balance unpaid (included in payables)	1 596 881	2 453 197
The balance unpaid represents the audit fee for the 2011/2012 audit		
40.3 VAT PAYABLE	2012	2011
Vat payable	-	1 353 084
VAT is payable on the receipt basis. VAT is paid over to SARS only once payment is received from debtors		
VAT RECEIVABLE		
Vat receivable	210 749	-
VAT is payable on the receipt basis. VAT is paid over to SARS only once payment is received from debtors		
40.4 Pay as You Earn (PAYE)		
Opening balance	4 779 495	
Current year payroll deductions	5 778 928	4 779 495
Amount paid - previous years	(4 779 495)	
Balance unpaid (included in payables)	5 778 928	4 779 495
40.5 Unemployment Insurance Fund (UIF)		
Opening balance	312 442	202 529
Current year payroll deductions	(312 442)	(202 529)
Amount paid - current year		
Balance unpaid	-	-
40.6 Medical Aid		
Opening balance	1 275 706	801 907
Current payroll deductions	(1 275 706)	(801 907)
Amount paid current year		
Balance unpaid	-	-
40.7 Pension Fund		
Opening balance	5 276 169	3 657 766
Current year payroll deductions	(5 276 169)	(3 657 766)
Amount paid current year		
Balance unpaid	-	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2012

40.8 Disclosure concerning councillors

Section 124(1)(b)

The following councillors had arrear accounts outstanding for more than 90 days as at 30 June 2012:

	Total	Outstanding less than 90 days	Outstanding more than 90 days
as at 30 June 2012			
JS Banda [249661]	16 403		16 403
JS Banda [251043]	7 488		7 488
JS Banda [264821]	881		881
PS Tlou [248403]	18 971		18 971
J Kaunda [41913]	7 624		7 624
Total Councillor Arrear Consumer Accounts	51 367	-	51 367
as at 30 June 2011			
JS Banda [249661]	19 236.85		19 236.85
SFL Ndhlovu	16 195.83		16 195.83
ME Ramoyada	1 095.47		1 095.47
E Shirilele	174.27		174.27
PS Tlou [248403]	17 803.31		17 803.31
J Kaunda [41913]	14 333.66		14 333.66
	68 839.39		68 839.39

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2012		
41 CONTINGENT LIABILITIES	2012	2011
Claim for Damages		
Municipality is being sued damage claims for removal of street vendors stock by force.T Ramadzamba & 35 others	2 500 000	2 500 000
Eskom Guarantee		
Remaining portion of Bank Guarantee to Eskom pledged by ABSA on behalf of Municipality	3 552 375	3 878 746
Unpaid Supplier		
Municipality is being sued for not paying KPMM for work done .	8 300 000	-
Total	14 352 375	6 378 746
42 IN-KIND DONATIONS AND ASSISTANCE	2012	2011
The Municipality received the following in-kind donations and assistance		
Description		
Mayoral Awards	-	40 000
	-	40 000
43 RELATED PARTY DISCLOSURES		
VHEMBE DISTRICT MUNICIPALITY	2012	2011
As Vhembe District Municipality is the Water Services Authority and Musina Local Municipality is the water services provider , how ever the service level agreement was in dispute and the dispute was lodged with National Treasury for a final decision . The final decision from National Treasury states that all assets should be in the books of Vhembe District Municipality therefor Musina Local Municipality will not include any water transations or assets in there Annual Financial Statements. The following transactions are involved:		
List of outstanding debtors for :		
Water	8 283 136	9 436 387
Water basic	382 040	327 451
Sewerage	3 047 397	2 950 820
Septic tanks	624	624
Water new connection	6 345	6 905
Total outstanding debtors for 01 July 2009 to 30 June 2012	11 719 542	12 722 187
List of all the deposits for :		
Water	2 101 591	1 701 840
Sewerage	685 220	749 063
Total amount as on 30 June 2012	2 786 810	2 450 904
Total billings for the year 01 July 2009 to 30 June 2012 for :		
Water	15 971 640	17 914 065
Water basic	5 225 891	-
Sewerage	247 820	4 513 440
Total amount (excluding vat)	21 445 351	22 427 505
Total allocated cash receipts for :		
Water	8 295 347	13 680 265
Water basic	103 320	-
Water new	16 173	20 883
Water prepaid	962 275	825 801
Sewerage	1 929 311	-
	11 306 425	14 526 950
Total amount of stock in stores as on 30 June 2012	337 906	68 079
Calculation of the amount payable by Vhembe District Municipality to Musina Local Municipality, (Promis votes ledger	20 906 065	-
Calculation of the amount payable by Musina Local Municipality to Vhembe District Municipality, (Promis votes ledger	11 645 915	-
Assets bought 11/12	-	624 626
The cost of indigent subsidy for water and sewerage for the financial year ended 1 July 2010 - 30 June 2012	2 265 028	1 911 083
Total provision leave	841 198	-
Total provision for bad debt July 2004 - June 2012	6 851 184	4 246 832
Creditors Provision	204 960	782 385

44 INCOME FOREGONE	2012	2011
Assesment Rates	499 410	538 951
Prepaid electricity (power cards)	117 232	81 518
TOTAL INCOME FOREGONE	616 642	620 469
45 ELECTRICITY PRE-PAID POWER CARDS	2012	2011
Value of cards as at 30 June 2012		
Bosveld Enterprises	4 290	5 760
Kwik Spar	4 560	1 010
Dhruv Supermarket	-	3 570
Mshongo Classic	840	-
Engern Petrol Station	68 560	3 420
TOTAL ELECTRICITY PRE-PAID POWER CARDS	78 250	13 760
46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
46.1 Irregular expenditure	2012	2011
Reconciliation of irregular expenditure		
Opening balance	43 460 647	5 848 522
Irregular Expenditure	15 496 936	37 612 125
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	58 957 583	43 460 647
Due to deviations from the procurement processes (invitations of three written quotations, increase to bidding price, and no relevant contract or tender documentation) that were approved on the basis of it being an emergency, while it was possible to comply with the requirements or where proper planning would have prevented the deviations. Due to contracts that were extended or renewed to such an extent that competitive bidding processes were being circumvented.		
46.2 Fruitless and wasteful expenditure	2012	2011
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	7 793 087	28 534
Fruitless and wasteful expenditure current year	1 578 343	7 764 553
Condoned or written off by Council	(48 181)	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	9 323 249	7 793 087
47 RETIREMENT BENEFIT INFORMATION	2012	2011
Defined contribution plan		
The following are defined contribution plans: Joint Municipal pension fund, Municipal Employees Pension Fund, SALA Pension Fund, National Fund for Municipal Workers. These contributions have been expensed.		
Defined benefit plan		
The following are defined benefit plans: Municipal Gratuity Fund. This plan is not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.		
Certain employees of the municipality belong to the Joint Municipal pension fund, Municipal Employees Pension Fund, SALA Pension Fund, National Fund for Municipal Workers. The most recent actuarial valuation was done in 2007. These valuations indicate that the plan is in a sound financial position.		
An amount of R5 703 324 (2011 : R4 551 440) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.		

48 RISK MANAGEMENT**Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

ABSA Bank - Fixed deposits	6 396 945	3 878 746
ABSA Bank - Current/Cheque account	1 777 238	6 107 149

These balances represent the maximum exposure to credit risk.

The municipality is exposed to an ABSA bank guarantee in favour of Eskom.

49 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D, E and F

50 POST- RETIREMENT MEDICAL AID BENEFITS

	2012	2011
Opening Accrued Liability	3 243 192	2 843 328
Current-service Cost	221 789	203 097
Contributions (benefits paid)	-	25 891
Total Annual Expense	(66 634)	(62 124)
Actuarial Loss/Gain	2 050 970	399 864
Closing Accrued Liability	5 294 162	3 243 192

The Municipality provides certain post-retirement medical aid benefits. These medical aid benefits are unfunded.

These projections assume that the Municipality's health care arrangement and subsidy policy will remain as outlined in the valuation rapport and that all the actuarial assumptions made are borne out in practice.

In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.

51 EVENTS AFTER THE REPORTING DATE

The Accounting officer is not aware of any significant material matter or circumstances that occurred after year end that warrant adjustment of or disclosure in the financial statement.

52 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Provision for doubtful debts
Impairment of assets
Provision for long-term service award

53 LONG SERVICE AWARDS

Fair value of plan assets		
Accrued liability	2 306 808	1 413 647
Unfunded Accrued Liability	2 306 808	1 413 647
Unrecognised actuarial gains/(losses)		
Unrecognised past service cost		
Miscellaneous item		
Net Liability in Balance Sheet	2 306 808	1 413 647

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	1 413 647	1 248 782
Current-service cost	190 455	174 567
Interest cost	122 769	108 396
Expected return on plan assets		
Actuarial (Gain)/Loss	712 228	
Past-service cost		
Effect of curtailment/settlement		
Expected employer benefit vesting	(132 291)	(118 098)
Employer prefunding contributions		
Closing Balance	2 306 808	1 413 647
Projected accrued liability	1 594 580	1 413 647

Net liability to reflect in the balance sheet

Opening balance	1 413 647	1 248 782
Current-service cost	190 455	174 567
Interest cost	122 769	108 396
Expected return on plan assets		
Transitional liability recognised		
Actuarial (Gain)/loss recognised in P&L	712 228	
Past-service cost recognised		
Effect of curtailment/settlement		
Net Periodic Cost Recognised in P&L	1 025 452	282 963
Actual employer benefits payments	(132 291)	(118 098)
Transitional liability recognised		
Employer prefunding contributions		
Transitional liability recognised outside P&L		
Actuarial (Gain)/loss recognised outside P&L		
Closing Balance	2 306 808	1 413 647

APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2012

External Loans		Loan No.	Redeemable	Balance at 30 June 2011	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2012		Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
	%			R							
LONG TERM LOANS											
(DBSA) MUN BUILDING	12.50%	102905	30/06/2013	249 843.70			249 843.70	-			
(DBSA) INFRASTRUCTURE	9.73%	102405	30/06/2026	1 360 182.51		17 187 092.35	521 806.08	18 025 468.78			
(DBSA) LESLEY MANHATHELA	9.73%	102405	30/06/2026	818 842.45			818 842.45	-			
(DBSA) MUN BUILDING PHASE 2	9.73%	102405	30/06/2026	5 985 707.57			5 985 707.57	-			
(DBSA) WORKSHOP	12.50%	103431	30/06/2016	5 724 720.97			5 724 720.97	-			
(BANKFIN) TOYOTA HILUX 2.5D-4D	10.50%	77532299	01/09/2013	61 536.08				61 536.08			
(BANKFIN) TOYOTA HILUX 2.5D-4D	10.50%	77532345	01/09/2013	61 536.08				61 536.08			
(BANKFIN) 2008 S.A.M.E EXPLORER 85 SPE	10.50%	77532043	01/09/2013	132 762.12				132 762.12			
(BANKFIN) 2008 TOYOTA DYNA 7-105 4.5 TO	10.50%	77552362	01/09/2013	118 171.71			-	118 171.71			
(BANKFIN) TOYOTA HILUX 2.5D-4D	10.50%	77532310	01/09/2013	61 535.71				61 535.71			
(BANKFIN) AVESIS 2.0 ADVAN	10.50%	77531802	01/09/2013	106 735.73				106 735.73			
(BANKFIN) 2008 RCEDES BENZ MO350(W164)	11.00%	77196795	01/06/2013	217 300.93		141 283.03		358 583.96			
(BANKFIN) 2008 HINO 13-237	10.50%	77552214	01/09/2013	330 391.02			-	330 391.02			
INTEREST PAID DBSA											
Total Annuity Loans				15 229 266.58	-	17 328 375.38	13 300 920.77	19 256 721.19			
Lease Computers		MSNA 0040	08/03/2011	-							
Total External Loans				15 229 266.58	-	17 328 375.38	13 300 920.77	19 256 721.19			

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2012

	HISTORICAL COST							ACCUMULATED DEPRECIATION						Carrying Value	Budget Additions 2012
	Closing Balance 10/11	Closing balance 10/11 re instate	Additions/ Transfers	Movement	Under Construction	Disposals	Closing Balance 11/12	Closing Balance 10/11	Closing balance 10/11 re instate	Additions/ Transfers	Correction on depreciation	Disposals	Closing Balance 11/12		
														R	R
INFRASTRUCTURE	31 197 870	244 062 502	-	159 840	-	-	244 222 342	14 581 239	30 758 691	15 223 866	(68 244)	-	45 914 313	198 308 028	-
ROADS															
Concrete kerbing	12 137 108	27 203 659	-				27 203 659	9 419 205	1 360 183	680 091			2 040 274	25 163 385	
Pavement layers		68 379 893					68 379 893		9 117 319	4 558 660			13 675 979	54 703 915	
Ashphalt surfacing		13 670 469					13 670 469		1 822 729	911 365			2 734 094	10 936 375	
Double seals		52 743 248					52 743 248		7 032 433	3 516 217			10 548 650	42 194 599	
Road signs		318 063					318 063		42 408	21 205			63 613	254 449	
Roadmarkings		1 171 500					1 171 500		156 200	78 100			234 300	937 200	
ELECTRICITY	-	-					-	4 491 914					-	-	
Electricity reticulation	17 664 836	10 945 306					10 945 306		1 459 374	729 687			2 189 061	8 756 245	
Street lighting		62 277 437					62 277 437		8 303 658	4 151 829			12 455 487	49 821 950	
Mass lighting		5 957 000					5 957 000		794 266	397 133			1 191 399	4 765 601	
Water reservoirs & reticulation	42 306	42 306		76 004			118 310	14 954	14 954	5 805	43 683		64 442	53 868	
Sewerage purification & reticulation	548 353	548 353		54 586			602 940	48 800	48 800	24 118	9		72 927	530 013	
	-	-					-	-	-	-			-	-	
	-	-					-	-	-	-			-	-	
	-	-					-	-	-	-			-	-	
Railway Lines	355 692	355 692					355 692	170 738	170 738	14 228	(14 233)		170 733	184 959	
Security Measures	449 574	449 574		29 250			478 824	435 627	435 627	135 429	(97 703)		473 353	5 470	
COMMUNITY ASSETS	92 385 870	92 385 870	7 968 053	(1 430 458)	-	-	98 923 466	6 800 010	6 800 011	1 223 141	(675 065)	-	7 348 087	91 575 378	
Buildings	35 417 717	35 417 717	2 305 697	(307 453)	-	-	37 415 962	6 410 963	6 410 963	865 566	(483 241)	-	6 793 289	30 622 673	
Sport Fields	16 615 852	16 615 852	5 662 357	(1 123 005)			21 155 204	389 047	389 048	357 575	(191 824)	-	554 798	20 600 405	
Land	40 352 300	40 352 300					40 352 300	-	-	-	-	-	-	40 352 300	
OTHER ASSETS	18 869 188	18 869 188	1 120 987	1 054 783		(6 002 960)	15 041 997	14 885 323	14 885 323	2 109 480	(968 776)	(6 837 411)	9 188 616	5 853 382	
Vehicles	4 581 715	4 581 715	819 662	849 312		(257 173)	5 993 516	3 366 494	3 366 494	880 443	(682 785)	298 845	3 862 997	2 130 519	
Plant & equipment	4 195 829	4 195 829	23 397	4 241		(1 827 531)	2 395 936	1 558 222	1 558 222	302 835	1 453 461	(1 558 222)	1 756 295	639 640	
Office equipment	6 334 053	6 334 053	270 926	148 230		(3 405 854)	3 347 355	6 071 529	6 071 529	627 108	(1 247 191)	(3 331 065)	2 120 381	1 226 974	
Bins and Containers	1 463 220	1 463 220	-	-			1 463 220	195 248	195 248	44 350	(17 720)		221 878	1 241 343	
Furniture and Fittings	2 255 316	2 255 316	7 002	53 000		(484 184)	1 831 134	3 673 765	3 673 765	254 745	(474 347)	(2 231 324)	1 222 838	608 296	
Car Port	8 494	8 494					8 494	2 927	2 927	-	73		3 000	5 494	
Emergency Equipment	28 219	28 219	-	-		(28 219)	-	15 645	15 645	-		(15 645)	-	-	
Truvello Radar	2 342	2 342					2 342	1 494	1 494		(268)		1 227	1 115	
TOTAL	142 452 927	355 317 559	9 089 040	(215 834)	-	(6 002 960)	358 187 805	36 266 572	52 444 025	18 556 487	(1 712 084)	(6 837 411)	62 451 016	295 736 788	

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2012

HISTORICAL COST

ACCUMULATED DEPRECIATION

	Closing Balance 10/11	Closing balance 10/11 re instate	Additions/ Transfers	Movement	Under Construction	Disposals	Closing Balance 11/12		Closing Balance 10/11	Closing balance 10/11 re instate	Additions/ Transfers	Correction on depreciation	Disposals	Closing Balance 11/12	Carrying Value 11/12	Budget Additions 2012
																R
EXECUTIVE COUNCIL	4 719 816	1 714 027	876 572	-	-	-	2 590 599		4 626 278	919 798	512 891	-	-	1 432 690	1 157 910	-
Executive Council	4 719 816	1 714 027	876 572				2 590 599		4 626 278	919 798	512 891			1 432 690	1 157 910	-
FINANCE & ADMINISTRATION	65 881 894	209 746 479	2 550 111	-	-	-	256 791 219		23 323 246	32 342 304	13 109 523	-	-	45 451 827	211 339 392	-
Finance	3 316 486	2 372 061	225 788				2 597 848		2 718 320	1 064 964	394 038			1 459 003	1 138 846	-
Information technology	3 200 292	132 223	-				132 223		2 260 447	559 047	191 147			750 194	(617 972)	-
Human resources	16 925	6 673					6 673		16 771	3 970	901			4 871	1 801	-
Property services	-	-	-				-		-	-	-			-	-	-
Admin Services	236 287	275 080	7 002				282 082		229 166	168 142	36 134			204 276	77 806	-
Legal Services	10 934	7 835					7 835		8 567	3 886	1 317			5 202	2 633	-
Municipal Buildings	43 218 779	(544 773)	2 126 994				44 801 000		6 229 895	5 617 330	1 153 080			6 770 409	38 030 591	-
Municipal Manager	258 681	163 371					163 371		153 557	58 600	32 164			90 764	72 607	-
Public Services	14 343 810	165 902 783	178 703				166 081 486		10 387 602	830 611	129 001			959 612	165 121 874	-
Stores	3 850	16 299					16 299		3 810	10 187	2 037			12 224	4 075	-
Technical Services	394 027	36 814 779	11 625				37 220 431		352 667	21 074 893	10 516 438			31 591 330	5 629 101	-
Workshop	881 823	1 782 566	-				2 664 389		962 445	1 515 199	381 474			1 896 673	767 716	-
Other & admin	-	2 817 582	-				2 817 582		-	1 435 475	271 793			1 707 267	1 110 314	-
PLANNING & DEVELOPMENT	42 219 634	42 219 634	-	-	-	-	42 219 634		124 453	186 733	45 191	-	-	231 925	41 987 709	-
Estates & Pound	42 219 634	42 219 634					42 219 634		124 453	186 733	45 191			231 925	41 987 709	-
Planning & development	-	-	-				-		-	-	-			-	-	-
HEALTH	162 096	(86 100)	-	-	-	-	75 996		152 316	43 227	9 765	-	-	52 992	23 004	-
Clinics	-	-	-				-		-	-	-			-	-	-
Polution Control	82 930	(45 020)					37 910		77 476	19 803	4 878			24 681	13 229	-
Health	79 166	(41 080)					38 086		74 840	23 423	4 888			28 311	9 775	-
COMMUNITY & SOCIAL SERVICES	238 341	60 592	-	-	-	-	187 429		229 882	153 970	11 501	-	-	165 471	21 959	-
Libraries & archives	111 503	89 224					89 224		104 961	55 765	11 153			66 918	22 306	-
Community halls & facilities	-	-	-				-		-	-	-			-	-	-
Tourism	31 413	(28 633)					2 780		29 496	2 780	348			3 128	(348)	-
Cemeteries & crematoriums	95 425						95 425		95 425	95 425				95 425	-	-
PUBLIC SAFETY	881 072	(257 479)	-	-	-	-	623 593		649 497	324 428	87 984	-	-	19 968	603 625	-
Fire	-	-	-				-		-	-	-			-	-	-
Traffic	881 072	(257 479)	-				623 593		649 497	324 428	87 984			19 968	603 625	-
PARKS & RECREATION	6 081 047	(1 266 194)	5 662 357	-	-	-	10 477 209		349 592	13 972	5 996	-	-	19 968	10 457 241	-
Parks & recreation	6 081 047	(1 266 194)	5 662 357				10 477 209		349 592	13 972	5 996			19 968	10 457 241	-
WASTE MANAGEMENT	2 162 692	(500)	-	-	-	-	2 162 192		833 261	614 273	131 722	-	-	745 995	1 416 197	-
Solid waste	2 162 692	(500)	-				2 162 192		833 261	614 273	131 722			745 995	1 416 197	-
ELECTRICITY	20 106 336	22 953 597	-	-	-	-	43 059 933		5 978 046	9 732 568	4 597 612	-	-	14 330 181	28 729 752	-
Electricity distribution	20 106 336	22 953 597					43 059 933		5 978 046	9 732 568	4 597 612			14 330 181	28 729 752	-
Street lighting	-	-	-				-		-	-	-			-	-	-
TOTAL	142 452 927	275 084 055	9 089 040	-	-	-	358 187 804		36 266 572	44 331 274	18 512 186	-	-	62 451 016	295 736 788	-

FINANCIAL STATEMENTS: MUSINA LOCAL MUNICIPALITY

APPENDIX D ACTUAL OPERATING REVENUE VERSUS BUDGET for the year ended 30 June 2012					
	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	10 945 902	9 782 875	1 163 027	11.89	
Service charges : Electricity	70 602 963	72 353 801	(1 750 838)	(2.42)	
Refuse removal	6 555 128	7 659 600	(1 104 472)	(14.42)	
Rental of facilities and equipment	206 071	205 256	815	0.40	
Interest earned – external investments	545 518	150 000	395 518	263.68	
Interest earned – outstanding debtors	1 564 984	1 250 000	314 984	25.20	
Fines	2 201 900	1 628 668	573 232	35.20	
Licensing & permits	2 923 496	1 318 798	1 604 698	121.68	
Government grants & subsidies – operating	28 529 000	29 948 000	(1 419 000)	(4.74)	
Government grants & subsidies – capital	15 557 232	12 039 000	3 518 232	29.22	
Other revenue	9 034 705	13 887 480	(4 852 775)	(34.94)	
Total Revenue	148 666 899.40	150 223 478.00	(1 556 578.60)	(1.04)	
APPENDIX D ACTUAL OPERATING EXPENDITURE VERSUS BUDGET for the year ended 30 June 2012					
	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanations of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related costs	42 248 843	50 870 361	(8 621 518)	(16.95)	
Remuneration of councillors	3 396 313	3 376 474	19 839	0.59	
Bad debts	976 392	1 136 072	(159 680)	(14.06)	Non cash item
Collection costs	52 339	52 337	2	0.00	
Depreciation	18 591 235	6 425 680	12 165 555	189.33	Non cash item
Repairs & maintenance	22 792 621	15 457 296	7 335 325	47.46	
Interest of external borrowings	2 065 001	2 065 001	0	0.00	
Bulk purchases : Electricity	37 490 020	37 490 020	0	0.00	
Contracted services	4 106 102	4 106 102	0	0.00	
Grants & subsidies paid	4 409 231	2 040 000	2 369 231	116.14	
General expenses	27 118 980	32 639 278	(5 520 298)	(16.91)	
Contributions to/(transfers from) provisions	-	4 352 762	(4 352 762)	(100.00)	Non cash item
Total Expenditure	163 247 077.34	160 011 383.00	3 235 694.34	2.02	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(14 580 178)	(9 787 905)	(4 792 273)	(3)	

APPENDIX E
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the year ended 30 June 2012

	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
				R	R			%	
REVENUE									
Property rates	(9 782 875)	(9 782 875)	-	(9 782 875)	10 945 902			-112%	-112%
Service charges : Electricity	(54 339 329)	(72 353 801)	18 014 472	(72 353 801)	70 602 963			-98%	-130%
Refuse removal	(5 406 620)	(7 659 600)	2 252 980	(7 659 600)	6 555 128			-86%	-121%
Rental of facilities and equipment	(32 242)	(205 256)	173 014	(205 256)	206 071			-100%	-639%
Interest earned – external investments	-	(150 000)	150 000	(150 000)	545 518			-364%	#DIV/0!
Interest earned – outstanding debtors	(884 715)	(1 250 000)	365 285	(1 250 000)	1 564 984			-125%	-177%
Fines	(1 628 668)	(1 628 668)	-	(1 628 668)	2 201 900			-135%	-135%
Licensing & permits	(1 318 798)	(1 318 798)	-	(1 318 798)	2 923 496			-222%	-222%
Government grants & subsidies – operating	(29 948 000)	(29 948 000)	-	(29 948 000)	28 529 000			-95%	-95%
Government grants & subsidies – capital	(24 072 000)	(12 039 000)	(12 033 000)	(12 039 000)	15 557 232			-129%	-65%
Other revenue	(13 769 751)	(13 887 480)	117 729	(13 887 480)	9 034 705			-65%	-66%
Gains on disposal of property, plant & equipment	-	-	-	-	-				
Total Revenue	(141 182 998)	(150 223 478)	9 040 480	(150 223 478)	148 666 899	-	-	(98.96)	-105%

APPENDIX E
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the year ended 30 June 2012

	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
				R	R			%	
EXPENDITURE									
Employee related costs	49 054 272	53 531 727	(4 477 455)	50 870 361	42 248 843			83%	86%
Remuneration of councillors	5 280 157	5 280 157	-	3 376 474	3 396 313			101%	64%
Bad debts	1 136 072	1 136 072	-	1 136 072	976 392			86%	86%
Collection costs	20 000	20 000	-	52 337	52 339			100%	262%
Depreciation	6 425 680	6 425 680	-	6 425 680	18 591 235			289%	289%
Repairs & maintenance	20 367 317	15 256 039	5 111 278	15 457 296	22 792 621			147%	112%
Interest of external borrowings	1 535 663	1 970 149	(434 486)	2 065 001	2 065 001			100%	134%
Bulk purchases : Electricity	34 787 977	34 787 977	-	37 490 020	37 490 020	-		100%	108%
Contracted services	3 000 000	3 000 000	-	4 106 102	4 106 102			100%	137%
Grants & subsidies paid	-	2 040 000	(2 040 000)	2 040 000	4 409 231			216%	#DIV/0!
General expenses	22 482 103	32 210 820	(9 728 717)	32 639 278	27 118 980			83%	121%
Contributions to/(transfers from) provisions	6 881 662	4 352 762	2 528 900	4 352 762	-	-		0%	0%
Total Expenditure	150 970 903	160 011 383	(9 040 480)	160 011 383	163 247 077	-	-	102%	108%
NET SURPLUS/(DEFICIT) FOR THE YEAR	9 787 905	9 787 905	-	9 787 905	(14 580 178)	-	-	-149%	-149%

APPENDIX F
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2012

	2012 Actual R	2012 Under Construction R	2012 Total Additions R	2012 Budget R	2012 Variance R	2012 Variance %	Explanations of significant variances greater than 5% versus budget
INFRASTRUCTURE				5 600 000	(5 600 000)	(100.00)	Repair and Maintenance roads [expenses]
Roads, pavements, bridges & stormwater				5 600 000	(5 600 000)		
Water reservoirs & reticulation							
Car parks, bus terminals & taxi ranks							
Electricity reticulation							
Sewerage purification & reticulation							
Housing							
Street lighting							
Refuse sites							
Railway Lines							
Security Measures							
Other (town planning & development							
COMMUNITY	7 789 350		7 789 350	6 439 000	1 350 350	20.97	Roll over projects
Buildings	2 126 993		2 126 993	1 739 000	387 993		
Sport Fields	5 662 357		5 662 357	4 700 000	962 357		
Land							
OTHER	1 120 987		1 120 987	2 039 771	1 120 987	54.96	not realise
Vehicles	819 662		819 662		819 662		
Plant & equipment	23 397		23 397		23 397		
Office equipment	270 926		270 926		270 926		
Bins and Containers							
Furniture and Fittings	7 002		7 002		7 002		
Car Port							
Emergency Equipment							
Truvello Radar							
TOTAL	8 910 336		8 910 336	14 078 771	(3 128 664)	(22.22)	
Health Other							